

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 GAC-01 FRB-02 TRSE-00 COME-00 SIL-01

LAB-06 EB-11 MBFR-03 SAJ-01 CIAE-00 DODE-00 PM-07

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 RSR-01 OMB-01 /117 W

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R 241620 Z MAY 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1451

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E. O. 11652: N/A

TAGS: ELAB, UK

SUBJECT: TUC AGREES TO TALKS WITH GOVERNMENT

REF: LONDON'S 5328

1. SUMMARY: THE TUC GENERAL COUNCIL MAY 23 BY A VOTE OF 22-3 DECIDED TO ACCEPT THE GOVERNMENT'S (REFTEL) BID FOR A NEW ROUND OF TALKS ON PHASE THREE OF ITS COUNTER-INFLATION PROGRAM. TUC CONDITIONS FOR A FINAL AGREEMENT COMPRISE LARGELY THE OBJECTIVES OVER WHICH LAST YEAR'S DISCUSSIONS FOUNDERED. THE TUC'S DECISION CAME AGAINST A BACKGROUND OF A PEACEFUL INDUSTRIAL RELATIONS SCENE, WITH PRACTICALLY ALL MAJOR WAGE DISPUTES HAVING BEEN RELUCTANTLY SETTLED IN LINE WITH PHASE TWO LIMITS. RENEWED THRUSTS OF MILITANCY, HOWEVER, MAY BE EXPECTED IN THE AUTUMN IF THE GOVERNMENT FAILS TO STEM RISING LIVING COSTS. END SUMMARY.

2. AT ONE OF THE LONGEST GENERAL COUNCIL SESSIONS IN RECENT HISTORY THE TUC DECIDED TO GO INTO ANOTHER ROUND OF TALKS WITH THE GOVERNMENT ON PAY AND RELATED LABOR RELATIONS MATTERS. ACCORDING TO AN EMBASSY
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SOURCE, THE MAY 23 DISCUSSION WAS AMONG THE BITTEREST EVER WITNESSED IN THE GENERAL COUNCIL AND WAS DOMINATED BY A GENERAL FEELING THAT THE NEW TALKS COULD NOT LEAD TO AN ACCEPTABLE AGREEMENT WITH THE CONSERVATIVE GOVERNMENT. THIS SKEPTICISM, ACCORDING TO OUR INFORMANT, WAS NOT CONFINED TO LEFT- WING ELEMENTS WHICH WERE THE MOST VOCAL IN OPPOSITION TO MEETING THE GOVERNMENT BUT INCLUDED MORE MODERATE LEADERS SUCH AS DAVID BASNETT OF THE GENERAL AND MUNICIPAL WORKERS AND GEORGE SMITH OF THE CONSTRUCTION WORKERS AND OTHERS. THE 22-3 VOTE FOR TALKS AT DOWNING STREET THUS REFLECTED MORE PRACTICAL CONSIDERATIONS OF A PUBLIC RELATIONS NATURE THAN HOPES THAT A TIDY DEAL COULD BE WORKED OUT. THE TRADE UNIONS, ALREADY UNDER HEAVY PUBLIC DISAPPROVAL FOR THEIR RESISTANCE TO PHASE TWO, WANT TO BE SEEN INsofar AS POSSIBLE AS CONSIDERING THE PUBLIC INTEREST IN COMBATING INFLATION.

3. THAT AN AGREEMENT WITH THE GOVERNMENT (SUPPORTED LATER BY THE EMPLOYERS) WILL BE DIFFICULT TO ACHIEVE IS SEEN IN THE FACT THAT VIRTUALLY ALL THE CONCESSIONS SOUGHT IN LAST YEAR' S ABORTIVE TRI- PARTITE TALKS BY THE TUC WILL AGAIN BE ON THE TABLE. THE DIFFERENCE THIS TIME IS THAT THE GOVERNMENT IN A SENSE WILL BE IN A MORE VULNERABLE POSITION SINCE DESPITE THE WAGE FREEZE AND THE PHASE TWO LIMITS, THE COST OF LIVING HAS CONTINUED TO MOUNT. THE UNION LEADERS WANT FIRM FOOD PRICE CONTROLS AND/ OR SUBSIDIES, MORE GENEROUS SOCIAL POLICIES (HIGHER PENSIONS, UNEMPLOY- MENT BENEFITS, FAMILY ALLOWANCES, ETC.), TAX REFORM TO FAVOR WAGE EARNERS AND HIGHER LEVIES ON THE RICH, THE " RESTORATION OF FREE COLLECTIVE BARGAINING (IN OTHER WORDS NO LEGAL LID ON PAY)" AND THE NON- OPERATION OF THE INDUSTRIAL RELATIONS ACT. THESE ARE ALL

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IMPOSING HURDLES TO GET OVER. AS FOR THE INDUSTRIAL RELATIONS ACT, IT IS POLITICALLY IMPOSSIBLE FOR THIS GOVERNMENT TO "NON- OPERATE" IT BUT BASED ON GOVERNMENT AND TRADE UNION PUBLIC STATEMENTS, WE BELIEVE THAT THERE ARE THE MAKINGS OF A DEAL ON AMENDING THE ACT.

4. A TUC STATEMENT ISSUED AFTER THE GENERAL COUNCIL MEETING REMINDED THAT IN THE SIX MONTHS OF THE WAGES AND SALARIES FREEZE, OVERALL PRICES HAD INCREASED BY NEARLY FOUR AND ONE- HALF PERCENT AND FOOD PRICES BY NINE PERCENT. THE TUC WARNED THAT IT COULD NOT GO ALONG WITH A GOVERNMENT INCOMES POLICY WHICH IGNORED PRICE INCREASES WHICH HAD ALREADY TAKEN PLACE. " A VITAL REQUIREMENT", THE TUC SAID, " FOR ANY AGREEMENT MUST BE A MORE FORTHCOMING ATTITUDE ON THE PART OF THE GOVERNMENT TOWARDS CONTROL OF ITEMS WHICH WERE EXCLUDED FROM THE SO- CALLED PRICE FREEZE, PARTICULARLY FOOD AND RENTS".

5. COMMENT: WITH THE SETTLEMENT LAST WEEK OF THE FORD PAY DISPUTE, VIRTUALLY ALL PAY DISPUTES, INCLUDING THOSE INVOLVING STRIKES SUCH AS THE GAS WORKERS AND HOSPITAL WORKERS, HAVE BEEN SETTLED WITHIN THE
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GOVERNMENT'S PHASE TWO LIMITS. GIVEN THE POSSIBILITIES FOR MILITANT CONFRONTATION WITH THE GOVERNMENT FROM A FAIRLY RESTIVE TRADE UNION MOVEMENT, THIS CONSTITUTES AN IMPRESSIVE VICTORY FOR THE COUNTER- INFLATION POLICIES. THE FIGHT REALLY WENT OUT OF THE UNION MOVEMENT WHEN THE MINERS DECIDED QUIETLY TO SETTLE, RECOGNIZING THEY HAD USED UP PUBLIC SYMPATHY IN THEIR 1972 STRIKE AND THAT THIS COULD NOT BE REPEATED. THUS THE STAGE IS NOW SET FOR A MAJOR EFFORT TO WORK OUT A VOLUNTARY PHASE THREE PROGRAM. WHILE THE TALKS GO ON, THE PROSPECTS FOR A PERIOD OF INDUSTRIAL PEACE ARE EXCELLENT. A RESURGENCE OF MILITANCY, HOWEVER, MAY BE EXPECTED IN THE FALL IF THE TOP LEVEL TALKS DO NOT GO WELL -- AND IF LIVING COSTS CONTINUE TO RISE.

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